

Legislative Audit Division

State of Montana



Report to the Legislature

April 1999

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1998

Department of Fish, Wildlife and Parks

This report contains ten recommendations relating to:

- ▶ Internal controls related to employee access to the state's accounting system.
- ▶ Internal Service Fund rates.
- ▶ Compliance with various federal regulations.
- ▶ Proper recording of financial transactions on the state's accounting records.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, will be issued by March 31, 2000. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
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April 1999

To the Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Fish, Wildlife and Parks for the two fiscal years ended June 30, 1998. This report has ten recommendations concerning internal controls related to employee access to the state's accounting system, Internal Service Fund rates, compliance with various federal regulations, and proper recording of financial transactions on the state's accounting records.

We thank the director and his staff for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", with a long horizontal flourish extending to the right.

Scott A. Seacat
Legislative Auditor



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Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1998

Department of Fish, Wildlife and Parks

Members of the audit staff involved in this audit were Jody Brandt,
Christopher D. May, Paul J. O'Loughlin, and Lorry Parriman.

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Appointed and Administrative Officials

Montana Fish, Wildlife and Parks Commission

Term Expires

Stanley F. Meyer, Chairman	Great Falls	2001
David W. Simpson, Vice Chairman	Hardin	2001
Darlyne Dascher	Fort Peck	2003
Charles R. Decker	Libby	2001
Tim Mulligan	Whitehall	2003

Administrative Officials

Patrick J. Graham, Director

Chris Smith, Chief of Staff

Arnold Olsen, Chief of Staff Operations

Dave Mott, Administrator, Administration and Finance Division

Ron Aasheim, Administrator, Conservation Education Division

Rich Clough, Administrator, Field Services Division

Larry Peterman, Administrator, Fisheries Division

Beate Galda, Administrator, Law Enforcement Division

Doug Monger, Administrator, Parks Division

Don Childress, Administrator, Wildlife Division

Department of Fish, Wildlife and Parks

This audit report is the result of our financial compliance audit of the Department of Fish, Wildlife and Parks for the two fiscal years ended June 30, 1998. The previous audit report contained two recommendations and a disclosure issue to the department. This report contains ten recommendations. The recommendations relate to internal controls related to employee access to the state's accounting system; fees commensurate with costs in the Internal Service Fund; compliance with federal regulations related to monitoring subgranted federal funds, timely drawing of federal funds, employee allocation of leave and recording of time, and agreements for construction projects; recording of license agent certificates of deposit; and proper recording of financial transactions on the state's accounting system.

We issued an unqualified opinion on the financial schedules contained in the report. This means the reader may rely on the presented financial information and the supporting data on the Statewide Budgeting and Accounting System.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department enhance and follow procedures to ensure adequate internal controls over processing of transactions on the state's accounting system. Page 9

Department Response: Concur. See page B-3.

Recommendation #2

We recommend the department:

- A. Ensure vehicle account rates are supported by the state's accounting records.

Department Response: Concur. See page B-3.

- B. Ensure fees are commensurate with costs in accordance with state law in its capitol grounds maintenance account. Page 12

Department Response: Partially concur. See page B-3.

Report Summary

Recommendation #3

We recommend the department develop and implement procedures to:

- A. Inform subrecipients of audit requirements for entities receiving federal awards.

Department Response: Concur. See page B-4.

- B. Provide subrecipients with information necessary to identify subgrants that include federal funds.

Department Response: Concur. See page B-4.

- C. Follow up on subrecipients' audit recommendations related to funds subgranted and ensure the subrecipient takes adequate and timely corrective action. Page 13

Department Response: Concur. See page B-4.

Recommendation #4

We recommend the department draw federal funds in accordance with the agreement between the state of Montana and the U.S. Secretary of the Treasury. Page 14

Department Response: Concur. See page B-5.

Recommendation #5

We recommend the department:

- A. Develop procedures for employees to charge leave to projects where the leave is earned.

Department Response: Concur. See page B-5.

- B. Ensure employees charge actual time worked on each project on their time sheet. Page 16

Department Response: Concur. See page B-5.

Recommendation #6

We recommend the department establish written agreements for construction projects with the Department of Administration's Architecture & Engineering Division to ensure compliance with federal regulations. Page 17

Department Response: Concur. See page B-5.

Recommendation #7

We recommend the department:

- A. Obtain assignment agreements for all certificates of deposit from license agents in accordance with department policy.

Department Response: Concur. See page B-6.

B. Ensure all certificates of deposit are recorded on the state's accounting records in accordance with state law. Page 18

Department Response: Concur. See page B-6.

Recommendation #8

We recommend the department record the nonrefundable \$3 special license drawing fee as revenue in the fiscal year when it is received. Page 19

Department Response: Concur. See page B-6.

Recommendation #9

We recommend the department record expenditures in the fiscal year there is a valid obligation. Page 20

Department Response: Concur. See page B-6.

Recommendation #10

We recommend the department record federal revenue and related expenditures in the Federal Special Revenue Fund in accordance with state law. Page 21

Department Response: Concur. See page B-6.

Introduction

Introduction

We performed a financial-compliance audit of the Department of Fish, Wildlife and Parks (department) for the two fiscal years ended June 30, 1998. The objectives of the audit were to:

1. Determine if the department complied with applicable laws and regulations which could have a significant effect on the financial schedules.
2. Make recommendations for improvement in the management and internal controls of the department.
3. Determine if the financial schedules present fairly the results of the department's operations for each of the two fiscal years ended June 30, 1998.
4. Determine the implementation status of prior audit recommendations.

As required by section 17-8-101(6), MCA, we audited and are reporting on the reasonableness of Internal Service Fund type fees and fund equity balances at the department. The statute requires fees and charges for services which are deposited into Internal Service Funds be based upon commensurate costs. The Internal Service Funds at the department include the duplicating center, vehicle account, capitol grounds maintenance, and the warehouse inventory. We found instances where the department's fees are not commensurate with costs. Our findings and recommendation related to this issue are discussed on page 9.

In accordance with section 5-13-307(2), MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendations.

Background

The department's goal is to preserve, protect, enhance, and maintain Montana's fish and wildlife and its habitat for present and future generations. In addition, it is the department's responsibility to provide state resources for the use and enjoyment of state parks and wildlife by the people.

The department's headquarters are located in Helena. The department operates from seven regions, with offices located in Kalispell, Missoula, Bozeman, Billings, Great Falls, Glasgow, and Miles City. There are

Introduction

also five area offices located in Libby, Havre, Lewistown, Butte and Helena. A regional supervisor directs each region and supervises managers within the region.

The five-member Fish, Wildlife and Parks Commission provides policy guidance to the department concerning resource management, length of seasons, and use of lands owned or controlled by the department.

Commission members are appointed by the governor and confirmed by the senate. Statute requires representation from five geographical areas of the state.

The following paragraphs discuss the programs used to accumulate the financial activity within the department. The department had a total of 552.01 budgeted full-time equivalent positions in fiscal year 1997-98.

Administration and Finance - the program includes accounting, fiscal and budgeting services, personnel administration, purchasing and property management services, federal aid administration, general and special licensing, data processing, and computer support. This program accounted for 12.6 percent of total expenditures in fiscal year 1997-98.

Field Services - is responsible for a wide array of support functions to the department and its field offices. These functions include game damage program administration, landowner/sportsman relations, block management, design and construction of department facilities, and the aircraft pool. This program accounted for 9.4 percent of total expenditures in fiscal year 1997-98.

Fisheries - is responsible for preserving and perpetuating all aquatic species and their ecosystems and meeting the public demand for fishing opportunities. This program accounted for 14.9 percent of total expenditures for fiscal year 1997-98.

Law Enforcement - is responsible for ensuring compliance with laws and regulations regarding fish, wildlife and parks through enforcement actions, education and enhancing relations with landowners, recreationists and the general public. This program accounted for 10.5 percent of total expenditures for fiscal year 1997-98.

Wildlife - is responsible for management of all native wildlife species within the state. The goal of the division is to protect, perpetuate, enhance, and regulate the use of renewable wildlife resources for public

benefit now and in the future. This program accounted for 13.2 percent of total expenditures in fiscal year 1997-98.

Parks - is responsible for conserving the scenic, historic, archaeologic, scientific, and recreational resources to meet present and future needs. This program accounted for 9.8 percent of total expenditures for fiscal year 1997-98.

Conservation Education - is responsible for public relation functions of the department including film production and publication and distribution of the Montana Outdoors magazine. The division also informs the public about fish and wildlife laws, administrative rules, and policies designed to regulate outdoor recreational activities. This program accounted for 3.6 percent of total expenditures in fiscal year 1997-98.

Department Management - is responsible for department direction regarding policy, planning, program development, guidelines and budgets, direct interaction with the Fish, Wildlife and Parks Commission, and decision-making authority for key resource activities affecting the department. This program accounted for 5.8 percent of total expenditures in fiscal year 1997-98.

Capital Outlay - is for major repair and maintenance of the department's properties, for renovation and construction of facilities and protection and enhancement of critical habitats. Fiscal year 1997-98 capital outlay expenditures accounted for 20.2 percent of total expenditures. Activity in this program increased significantly from fiscal year 1995-96 due to purchase of conservation easements and land.

The department is primarily funded by user fees such as hunting and fishing licenses and state park use fees. Licenses and Permits revenue was 53 percent of total revenue in fiscal year 1997-98. Federal revenue is the other major source of revenue for the department, amounting to 20 percent in fiscal year 1997-98. The department receives federal moneys to aid in fish and wildlife restoration efforts; for parks development and maintenance; for boating safety, education and regulation; and other programs.

Prior Audit Recommendations

Prior Audit Recommendations

Our previous audit report covering fiscal years 1994-95 and 1995-96 contained two recommendations and a disclosure issue to the department. The department implemented one recommendation and did not implement the other recommendation. The recommendation not implemented relates to fees being commensurate with costs in its Internal Service Fund on page 9.

Prior Audit Recommendations

The following table shows the status of the recommendations made in the prior audit. The recommendations are listed in the left column and the status of each recommendation is listed in the right column. The recommendations are listed in the left column and the status of each recommendation is listed in the right column.

Prior Audit
Recommendations

Findings and Recommendations

Internal Control

Department management is responsible for establishing and maintaining a system of internal control. The system should provide management with reasonable assurance that resources are safeguarded against waste, loss, and misuse.

Employee Access to the Statewide Budgeting and Accounting System

The state of Montana has established internal controls regarding user access to the Statewide Budgeting and Accounting System (SBAS). State agencies request the Department of Administration's Accounting Bureau to set up user identification numbers (ID) for entering and approving SBAS transactions. We noted the following areas where the department should enhance and follow procedures to ensure adequate internal controls over processing transactions on SBAS.

The department assigns various levels of access to SBAS based on positions within the department rather than to each employee. In fiscal year 1997-98, the department filled a vacant position with a current department employee. The employee was trained in the new position along with completing duties of their previous position. The employee obtained access for the ID number of the new position. As a result, the employee was given access to two ID numbers that would have allowed the employee to enter a transfer warrant claim document under their previous position ID number and approve the document under their new position ID number. There is an edit in the state's computer system that will not allow a single ID number to enter and approve a transfer warrant claim document. A transfer warrant claim document may generate a warrant from the state treasury.

We noted one transfer warrant claim document processed with the above ID numbers. We reviewed the hard copy document and noted even though the approver's ID number on SBAS belonged to the employee's new position, the document contained approval initials of another employee within the department with approving authorization. Department personnel stated sometimes they will approve documents from a different workstation rather than their own using another employee's ID number.

Findings and Recommendations

Additionally, the employee trained the new employee filling their old position. The employee's old position had authority to enter collection report documents recording cash received on SBAS. The employee's new position allowed for approval of collection report documents. During the time period when the employee was training the new employee, we noted numerous collection report documents that were entered with the employee's old position ID number and approved with the new employee's ID number. Normally, the hard copy collection report document does not contain initials of the enterer or approver; therefore, we were unable to determine if the same person entered and approved these documents.

Department management stated the use of position-specific ID numbers allows them to assign and track responsibility for certain transactions; however, when an employee enters or approves under an ID number not assigned to them, controls are circumvented and responsibility for the transactions cannot be determined. The department should reassess its policy of assigning ID numbers based on position rather than employee. Employee-specific ID numbers allows the department to assign responsibility for transactions.

We also reviewed a listing of ID numbers and noted nine ID numbers assigned to employees that had terminated as far back as 1992. One ID number had been reassigned to a current employee. The remaining eight numbers allowed for read-only access. State policy requires ID numbers be suspended when the employee terminates employment with the department.

Section 2-15-114, MCA, states that the head of each department is responsible for assuring an adequate level of security for all data and information technology within the department. The department should review current ID numbers to ensure employees have appropriate access for their position. The department should also document and enforce procedures for suspending user access upon termination and assigning user access to new employees.

Recommendation #1

We recommend the department enhance and follow procedures to ensure adequate internal controls over processing of transactions on the state's accounting system.

Internal Service Fund Charges For Services Commensurate With Costs

The department operates Internal Service Funds for its duplicating center, vehicles, warehouse inventory, and the capitol grounds maintenance. These funds are used to allocate the cost of goods or services to other department programs and state agencies. The department's maximum rates for each of these functions are set in appropriation acts and charged to the various programs and state agencies that use the services. The department recorded approximately \$2 million and \$1.5 million in revenue and expenses, respectively, during fiscal year 1997-98 in its Internal Service Funds. We reviewed the fiscal year 1997-98 rates in the Internal Service Funds to determine if fees were commensurate with the cost of services. During our previous audit and in this audit, we found the department charged fees in excess of costs. The following table shows the change in fund balance between fiscal years 1996-97 and 1997-98.

Table 1
Internal Service Fund
Change in Fund Balance

Account	Fund Balance		
	June 30, 1997	June 30, 1998	Change
Vehicle Account	\$ 5,093,107	\$ 5,790,704	\$ 697,597
Warehouse Inventory	205,401	175,845	(29,556)
Capitol Grounds Maintenance	60,979	108,933	47,954
Duplicating Center	39,576	44,916	5,340
Total	\$ 5,399,063	\$ 6,120,398	\$ 721,335

Findings and Recommendations

Vehicle Account

The department established a vehicle account to allocate the costs of its vehicles and aircraft to the various department programs based on usage. The department recorded approximately \$1.6 million and \$1 million in revenue and expenses, respectively, in this account in fiscal year 1997-98. The department logged approximately 5.5 million miles on its vehicles and 1,000 hours on its aircraft during fiscal year 1997-98.

We reviewed the composition of the increase in fund balance and noted items where the increase in fund balance was not an indication of a problem. For example, the department completed major repairs costing \$62,000 on one of its helicopters. The repair costs were expensed in fiscal year 1996-97; however, in accordance with state policy, the repairs were not capitalized until fiscal year 1997-98. Also, the department transferred \$143,000 from its general license account to supplement the purchase of new vehicles.

We noted the following errors that resulted in a \$372,000 overstatement of the fiscal year 1997-98 fund balance in the vehicle account.

- ▶ In fiscal year 1997-98, the department sold vehicles with a book value of \$327,000. The department did not process the necessary documents to remove the vehicles from the accounting records by fiscal year-end 1997-98. The department corrected the error in fiscal year 1998-99.
- ▶ The department recorded a loss for the full book value of a helicopter sold, rather than the book value less the sale price of \$45,000.

We could not determine the reason for an increase in fund balance in the vehicle account of \$122,000. The department can charge lower vehicle rates, but not higher rates, than the rates established in state law. On an annual basis, the department reviews and adjusts the rates charged for its various vehicles. We reviewed the actual fiscal year 1997-98 rates charged based on type of vehicle and noted the following issues.

- ▶ In fiscal year 1996-97, the department had a gain of \$139,000 from the sale of vehicles. The department only included \$63,000 of the gain in its calculation of the fiscal year 1997-98 rates.

Findings and Recommendations

Department officials stated they were not sure why the total gain was not included; however, the department combined some vehicle classes and may have missed including the gain in the new vehicle class.

- ▶ We could not find clear documentation where the department adjusts for the increase/decrease in fund balance when setting rates for the next fiscal year.

The department does not reconcile the financial information used to calculate rates to the accounting records. A reconciliation would have facilitated detecting the above errors. The errors noted above would not materially change the rates charged by the department; however, the department could not provide documentation demonstrating fees were commensurate with costs in its vehicle account for fiscal year 1997-98.

Capitol Grounds Maintenance

In fiscal year 1997-98, the department determined it could provide capitol grounds maintenance services at less cost than contracting the services to the private sector as was done in previous years. The department did not recalculate and adjust the rate charged to state agencies for the services based on estimated costs. As a result, fees collected from state agencies for these services exceeded the costs by approximately \$60,000. The department invested the profit in purchasing equipment needed to provide the service. Additionally, we noted the department's fiscal years 1999-2000 and 2000-2001 rate calculations included purchases of equipment of \$25,000 for each fiscal year. In an Internal Service Fund, the department should depreciate the equipment over its useful life, rather than expense the cost of the equipment in the year purchased. The department should only include the equipment depreciation expense for each year in its rate calculation.

Department personnel stated the department needed to purchase the equipment in order to perform these services; therefore, they used the cash in the account to pay for the equipment. The department could have obtained financing to purchase the equipment. Additionally, department personnel stated the rate was set in state law and they did not believe the rate could be changed. As stated in the previous section, the department can lower rates but not charge rates higher than rates established in law.

Findings and Recommendations

Section 17-8-101(6), MCA, requires fees and charges for services which are deposited into Internal Service Funds to be based upon commensurate costs. State law does not intend for a profit or other amounts above cost to be collected and retained in an Internal Service Fund.

Recommendation #2

We recommend the department:

- A. Ensure vehicle account rates are supported by the state's accounting records.**
- B. Ensure fees are commensurate with costs in accordance with state law in its capitol grounds maintenance account.**

Compliance With Federal Regulations

The department receives the majority of its federal funding from the U.S. Department of Interior under the Sport Fish Restoration (CFDA #15.605) and the Wildlife Restoration (CFDA #15.611) grants. We reviewed the department's compliance with various federal regulations related to these grants and noted the following issues.

Monitoring Federal Funds Provided to Subrecipients

The Single Audit Act Amendments of 1996 and the federal Office of Management and Budget (OMB) Circular A-133 establish subrecipient monitoring requirements. A subrecipient is a non-federal entity that expends federal awards received from the department. The monitoring requirements include:

- ▶ Identifying federal awards by informing each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number assigned to the federal funds included in the subgrant.
- ▶ Advising subrecipients of federal laws and regulations related to the federal award.
- ▶ Monitoring the activities of the subrecipient as necessary to ensure the federal award is used for authorized purposes in compliance with laws, regulations, and provisions of the grant agreement.
- ▶ Ensuring a subrecipient expending \$300,000 or more in federal awards during the subrecipient's fiscal year has met federal audit requirements.

Findings and Recommendations

- ▶ Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report.
- ▶ Ensuring the subrecipient takes appropriate and timely corrective action on audit recommendations.

During our fieldwork, the department was unable to provide us with a list of federal funds subgranted during the audit period. We also noted the department has not established procedures to monitor federal funds subgranted to other entities in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133. We noted the department completes some monitoring of funds subgranted.

We reviewed contracts subgranting funds to other entities and noted the contracts did not state the funds subgranted were federal, the federal catalog program name, or CFDA number. The subrecipient needs this information in order to comply with federal reporting requirements. We also noted the department did not inform the subrecipients of federal audit requirements. Through discussions with department officials, we also noted the department has not established procedures to follow up on audit findings related to the subgranted funds contained in the subrecipient's audit report and ensure the subrecipient takes corrective action on the recommendations. Department officials stated they are currently working on establishing procedures for complying with the federal requirements for subgranting federal awards.

Recommendation #3

We recommend the department develop and implement procedures to:

- A. **Inform subrecipients of audit requirements for entities receiving federal awards.**
- B. **Provide subrecipients with information necessary to identify subgrants that include federal funds.**
- C. **Follow up on subrecipients' audit recommendations related to funds subgranted and ensure the subrecipient takes adequate and timely corrective action.**

Findings and Recommendations

Timely Drawing of Federal Funds to Cover Federal Expenditures

The state of Montana has an agreement with the U.S. Secretary of the Treasury which sets forth the terms and conditions agreed to by the state of Montana and the federal government to implement the federal Cash Management Improvement Act of 1990 (CMIA). The agreement establishes a federal cash request schedule based on warrant clearing patterns for large federal assistance programs in the state of Montana. The grants the department receives from the U.S. Department of Interior are included under the CMIA agreement. The warrant clearing pattern established for these grants is four days. The clearance pattern is an estimate of the amount of time required for issued warrants to clear the bank.

We reviewed the department's procedures for requesting federal funds in accordance with the CMIA agreement and noted the department does not draw federal funds in accordance with the established four-day warrant clearance pattern. We reviewed one month in each of fiscal years 1996-97 and 1997-98, and noted the department requested federal funds every seven days. At fiscal year-end 1996-97 and 1997-98, the department had loans from its indirect cost account of \$125,000 and \$75,000, respectively, to cover the cost of federal expenditures until the federal revenue was received. Department officials stated the department requests federal funds every seven days to ensure a positive cash balance on the eighth day. Department officials stated the state's warrant system will not allow warrants to process if cash is negative more than seven days. By not drawing federal funds in a timely manner, the department is not complying with the agreement between the state and the federal government.

Recommendation #4

We recommend the department draw federal funds in accordance with the agreement between the state of Montana and the U.S. Secretary of the Treasury.

Employee Allocation of Leave Taken and Hours Worked

We reviewed procedures established in the department's Wildlife and Fisheries Divisions for employees allocating leave taken and hours worked to projects on their time sheets. Employees in these divisions may work on a number of projects in a pay period. Most of the projects are a combination of state and federal funding.

We asked a number of department employees how they allocated sick, vacation or compensatory leave taken. The employees stated there is not a documented system for charging leave taken to the specific project where the leave was earned. The employees stated they have a general sense of where they earned the leave; however, the employees do not have documentation that supports the leave taken being charged to the project where the leave was earned. Additionally, one employee earned leave time on projects funded with a combination of federal and state funds, but charged all the leave to the state.

Federal Office of Management and Budget Circular (OMB) A-87 states the cost of fringe benefits paid to employees during periods of authorized absences from the job should be equitably allocated to all related activities, including federal awards. Department officials stated they are working on developing a system for employees to charge leave to projects where the leave is earned.

We noted, in general, department employees record actual time spent on each project during a pay period on their time sheets. However, we noted one employee that was assigned nine projects in fiscal year 1997-98, four of the projects were 100 percent state funded, and five of the projects were 25 percent state funded and 75 percent federal funded. The time sheets we reviewed showed 100 percent of the employee's time being charged to a project funded with a state/federal split. The employee stated he charges his time to the project where he spent the majority of his time. The employee stated he does not maintain an accurate breakdown of hours worked on each project.

OMB Circular A-87 requires personal activity reports to reflect the actual activity of each employee. It further states budget estimates do not qualify as support for charges to federal awards. Department officials stated the department's policy requires employee time sheets to

Findings and Recommendations

reflect actual time worked. They further stated employees were recently reminded of this policy.

The Department of Administration processes payroll and maintains leave balances for employees. With the current changes being made to the state's accounting and payroll system, the department could seek assistance from the Department of Administration in addressing allocating leave costs to the proper funding source.

Recommendation #5

We recommend the department:

- A. Develop procedures for employees to charge leave to projects where the leave is earned.**
- B. Ensure employees charge actual time worked on each project on their time sheet.**

Construction Projects

The department has a number of construction projects which are managed by the Department of Administration's Architecture & Engineering (A&E) Division. During fiscal year 1997-98, A&E managed 23 Department of Fish, Wildlife and Parks (department) projects with expenditures totaling \$2.2 million. The projects are funded by a combination of state and federal funds. The department must comply with specific federal regulations related to the grants received from the U.S. Department of Interior. We noted there is no written agreement between the department and A&E documenting responsibility for complying with federal regulations.

Department officials stated they complete monitoring and oversight during all phases of the construction projects managed by A&E. Department officials agreed a written agreement outlining responsibility could enhance compliance with federal regulations.

Recommendation #6

We recommend the department establish written agreements for construction projects with the Department of Administration's Architecture & Engineering Division to ensure compliance with federal regulations.

Recording of License Agent Certificates of Deposit

Section 87-2-902, MCA, states "an appointed license agent shall furnish a corporate surety bond or other security if required by the department. The bond secures the faithful performance of the duties imposed on the license agent and the accounting for and payment to the state of all money received from the sale of hunting and fishing licenses..." The department has established rules outlining the types of securities acceptable from license agents. The majority of the securities provided by license agents are corporate surety bonds or letters of credit. The department also allows license agents to provide a certificate of deposit as a security. The department requires an assignment agreement be signed for all certificates of deposit. These agreements assign to the department all rights, interest, and title to the joint-ownership certificate of deposit. The department is entitled to negotiate the certificate of deposit in the event the license agent fails to accurately report license sales or remit license sales revenue when due.

At June 30, 1998, the department had 18 certificates of deposit, totaling \$120,000, in its possession. We noted the department does not record the certificates of deposit on the state's accounting records as required by state law. Section 17-1-102, MCA, requires all state agencies record property for which the agency is accountable on the state's accounting records by fiscal year-end. Section 17-2-102, MCA, defines an Agency Fund as a fund used to account for assets held by the state government in a trustee capacity or as an agent for individuals or private organizations. State policy has established "property held in trust" asset and liability classifications to identify the value assigned to property held by the state in a trustee, custodial or fiduciary capacity. Because the department does not record the license agent's certificates of deposit as "property held in trust" in an Agency Fund on the state's accounting

Findings and Recommendations

records, assets and liabilities are understated by \$120,000 at June 30, 1998.

We also noted 4 of the 18 certificates of deposit, totaling \$9,000, held by the department at June 30, 1998, did not have assignment agreements in accordance with department policy. Department personnel stated they request assignment agreements from all license agents; however, some license agents do not remit the agreements to the department. Department personnel believe they could redeem the certificates of deposit without the assignment agreement. Since the certificates of deposit are in both the department's and agent's names, an assignment agreement would be needed if the agent was not available or unwilling to sign the certificate.

Recommendation #7

We recommend the department:

- A. Obtain assignment agreements for all certificates of deposit from license agents in accordance with department policy.
- B. Ensure all certificates of deposit are recorded on the state's accounting records in accordance with state law.

Proper Recording of Financial Transactions on the State's Accounting Records

Section 17-1-102, MCA, requires all state agencies to record all necessary transactions on the state's accounting records to present the receipt, use, and disposition of all money and property for which the agency is accountable in accordance with generally accepted accounting principles (GAAP). The Department of Administration, Accounting and Management Support Division, has adopted state accounting policies which facilitate compliance with GAAP. Accounting for financial activity in accordance with these requirements improves the quality, consistency, and comparability of the resulting financial information among state agencies. It also ensures that revenue and expenditures are properly and consistently measured within each fiscal year. We noted the following instances where the department did not record financial activity in accordance with state policy.

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Unrecorded Revenue at Fiscal Year-End

The department charges a \$3 nonrefundable license drawing fee to cover the administrative and processing costs for the special license drawing. The application deadline for big game (i.e., deer, elk, and antelope) special licenses is June 1 each year. The drawing for the special licenses is held around the first of August each year. The department hires temporary employees to process the large volume of applications for the drawing and deposit the revenue in the state treasury prior to fiscal year-end.

The department collected approximately \$439,000 and \$415,000 in nonrefundable charges for fiscal years 1996-97 and 1997-98, respectively. The department recorded the cash as "property held in trust" in an Agency Fund for both fiscal years. Department officials stated they consider the drawing process to be complete once the special license drawing has been held and, at that time, record the nonrefundable \$3 processing fee as revenue. "Property held in trust" and the use of an Agency Fund inappropriately imply the \$3 nonrefundable fee is being held by the department in a trustee, custodial, or fiduciary capacity. As a result, "property held in trust" in the Agency Fund is overstated in fiscal years 1996-97 and 1997-98 by approximately \$439,000 and \$415,000, respectively.

Recommendation #8

We recommend the department record the nonrefundable \$3 special license drawing fee as revenue in the fiscal year when it is received.

Expenditures Recorded in Wrong Fiscal Year

The department operates the Upland Game Bird Habitat Enhancement Program. A part of this program includes assisting landowners in purchasing grass seed to enhance bird habitat areas. At June 30, 1998, the department had signed contracts with landowners for reimbursement of a portion of grass seed planted by the landowners in the spring of 1998. The department moved approximately \$238,000 of expenditures related to payment to landowners for the grass seed to fiscal year 1998-99. The department had a valid obligation in fiscal year 1997-98, since

Findings and Recommendations

signed contracts existed and the grass seed was purchased by fiscal year-end.

Department officials stated the cost of the grass seed increased significantly in fiscal year 1997-98. The department ran out of federal funding for fiscal year 1997-98 and moved the expenditures to fiscal year 1998-99 in order to access federal funds and honor the contracts with the landowners. Since these were not valid fiscal year 1998-99 expenditures, we question \$178,000 of charges to the U.S. Department of Interior Wildlife Restoration Grant (CFDA #15.611).

Recommendation #9

We recommend the department record expenditures in the fiscal year there is a valid obligation.

Federal Funds Recorded in Wrong Fund

Effective July 1, 1995, state law allows state agencies to record in the State Special Revenue Fund money from nonstate or nonfederal sources that is restricted by law or by the terms of an agreement, such as a contract, trust agreement, or donation. Appropriation authority is not required for agencies to spend these funds; however, state policy requires agencies to obtain approval from the Office of Budget and Program Planning to spend the funds.

During fiscal year 1995-96, the department established a "Non-Budgeted Private Funds" accounting entity in its State Special Revenue Fund to account for revenue from contracts with private entities. We reviewed the revenue the department recorded in this accounting entity during fiscal years 1996-97 and 1997-98 and noted the following concerns.

We noted three contracts recorded in this accounting entity, and determined all or a portion of the funding was from the federal government. In two of the contracts, the department did not receive the federal funding directly from the federal government, but through a state agency or a private organization affiliated with a federal agency. The remaining contract was with a federal agency and was comprised of a

Findings and Recommendations

combination of federal and private funds. All three contracts contained information indicating the use of federal funds. The department recorded approximately \$184,000 and \$121,000 in fiscal years 1996-97 and 1997-98, respectively, of federal funds in the State Special Revenue Fund without proper budget authority.

Section 17-2-102, MCA, requires money derived from federal sources be recorded in the Federal Special Revenue Fund. These funds are subject to the normal budget process. The department's noncompliance with state laws and policies regarding budgeting and recording requirements of these funds could lead to unallowable charges to the federal government. Additionally, the department did not report the federal expenditures of \$184,000 and \$121,000 in fiscal years 1996-97 and 1997-98, respectively, on its Schedule of Expenditures of Federal Awards provided to the state's single audit coordinator.

Department officials stated they were not aware all or a portion of the funding source for these contracts was federal. The department should establish procedures for reviewing contracts to determine the funding source and appropriately record the revenue and related expenditures in the proper fund on the state's accounting records.

Recommendation #10

We recommend the department record federal revenue and related expenditures in the Federal Special Revenue Fund in accordance with state law.

Independent Auditor's Report & Department Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Fish, Wildlife and Parks for each of the fiscal years ended June 30, 1997 and June 30, 1998. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balance and property held in trust of the Department of Fish, Wildlife and Parks for each of the fiscal years ended June 30, 1997 and June 30, 1998, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in black ink that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

February 2, 1999

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	General Fund	Special Revenue Fund	Capital Projects Fund	Internal Service Fund	Agency Fund	Expendable Trust Fund	Nonexpendable Trust Fund
FUND BALANCE: July 1, 1997	\$ (12,830) ¹	\$ 61,048,338	\$ 0	\$ 5,399,064	\$ 0	\$ 0	\$ 20,968,108
PROPERTY HELD IN TRUST: July 1, 1997					2,837,727		
ADDITIONS							
Budgeted Revenues & Transfers-In	38,688	47,923,914		1,971,431		1,157,948	2,783,701
Nonbudgeted Revenues & Transfers-In		1,358,591		105,435		(1,118)	2,134
Prior Year Revenues & Transfers-In Adjustments		(190,488)		16			(3,662)
Cash Transfers In (Out)	336,824	(13,679,281) ²	5,040	143,064		15,340,039 ³	357,217
Direct Entries to Fund Balance		100		(15,534)		41,670	124,722
Additions to Property Held in Trust					6,947,725		
Total Additions	375,512	35,412,836	5,040	2,204,412	6,947,725	16,538,539	3,264,112
REDUCTIONS							
Budgeted Expenditures & Transfers-Out	398,212	52,022,781	5,040	2,096,404		654,923	1,483,641
Nonbudgeted Expenditures & Transfers-Out		1,338,298		(515,701)		75	
Prior Year Expenditures & Transfers-Out Adjustments	311	141,146		(97,625)			
Reductions to Property Held in Trust					7,126,148		
Total Reductions	398,523	53,502,225	5,040	1,483,078	7,126,148	654,998	1,483,641
FUND BALANCE: June 30, 1998	\$ (35,841) ¹	\$ 42,958,949 ²	\$ 0	\$ 6,120,398	\$ 0	\$ 15,883,541	\$ 22,748,579
PROPERTY HELD IN TRUST: June 30, 1998					2,659,304		

¹ See note 2 on page A-19.

² See note 3 on page A-19.

³ See note 4 on page A-19.

This schedule is prepared from the Statewide Budgeting and Accounting System.

Additional information is provided in the notes to the financial schedules beginning on page A-17

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Capital Projects Fund	Internal Service Fund	Agency Fund	Nonexpendable Trust Fund
FUND BALANCE: July 1, 1996	\$ (22,707) ¹	\$ 59,423,500	\$ 0	\$ 5,113,552	\$ 0	\$ 19,971,487
PROPERTY HELD IN TRUST: July 1, 1996					3,088,423	
ADDITIONS						
Budgeted Revenues & Transfers-In	43,279	47,663,561		2,204,716		2,004,660
Nonbudgeted Revenues & Transfers-In		1,405,066		139,088		4,668
Prior Year Revenues & Transfers-In Adjustments		189,947				(2,506)
Cash Transfers In (Out)	373,409	1,083,200	14,368			473,300
Direct Entries to Fund Balance		13,808		230,000		
Additions to Property Held in Trust					7,110,191	
Total Additions	416,688	50,355,582	14,368	2,573,804	7,110,191	2,480,122
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	409,188	47,037,160	14,368	2,228,696		1,483,501
Nonbudgeted Expenditures & Transfers-Out		1,398,914		43,687		
Prior Year Expenditures & Transfers-Out Adjustments	(2,377)	294,670		15,909		
Reductions to Property Held in Trust					7,360,887	
Total Reductions	406,811	48,730,744	14,368	2,288,292	7,360,887	1,483,501
FUND BALANCE: June 30, 1997	\$ (12,830) ¹	\$ 61,048,338 ²	\$ 0	\$ 5,399,064	\$ 0	\$ 20,968,108
PROPERTY HELD IN TRUST: June 30, 1997					2,837,727	

¹ See note 2 on page A-19.

² See note 3 on page A-19.

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DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

TOTAL REVENUES & TRANSFERS-IN BY CLASS						
	General Fund	Special Revenue Fund	Internal Service Fund	Expendable Trust Fund	Nonexpendable Trust Fund	Total
Licenses and Permits		\$ 29,121,328			\$ 305,844	\$ 29,427,172
Charges for Services	\$ 38,688	1,180,107	\$ 1,971,447			3,190,242
Investment Earnings		2,451,624			2,264,032	5,870,985
Fines and Forfeits		7,290				7,290
Federal Indirect Cost Recoveries		1,567,612				1,567,612
Sale of Documents, Merchandise and Property		381,369	105,435		36,335	523,139
Rentals, Leases and Royalties					175,962	175,962
Miscellaneous		171,769		1,500		171,769
Grants, Contracts, Donations and Abandonments		433,246				433,246
Other Financing Sources		2,457,227				2,457,227
Federal		11,320,445				11,320,445
Total Revenues & Transfers-In	38,688	49,092,017	2,076,882	1,156,829	2,782,173	55,146,589
Less: Nonbudgeted Revenues & Transfers-In						
Prior Year Revenues & Transfers-In Adjustments		1,358,591	105,435	(1,118)	2,134	1,465,042
Actual Budgeted Revenues & Transfers-In		(190,488)	16		(3,662)	(194,134)
Estimated Revenues & Transfers-In	38,688	47,923,914	1,971,431	1,157,947	2,783,701	53,875,681
Budgeted Revenues & Transfers-In Over (Under) Estimated	11,000	47,428,231	2,002,496	974,200	2,043,000	52,458,927
	\$ 27,688	\$ 495,683	\$ (31,065)	\$ 183,747	\$ 740,701	\$ 1,416,754
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS						
Licenses and Permits		\$ 125,123				\$ 140,224
Charges for Services	\$ 27,688	4,130	\$ 3,431		\$ 15,101	35,249
Investment Earnings		35,768		\$ 212,747	664,899	913,414
Fines and Forfeits		(210)				(210)
Federal Indirect Cost Recoveries		39,693				39,693
Sale of Documents, Merchandise and Property		41,222			(63,665)	(22,443)
Rentals, Leases and Royalties					124,366	124,366
Miscellaneous		(3,696)				(3,696)
Grants, Contracts, Donations and Abandonments		(28,051)		(29,000)		(57,051)
Other Financing Sources		(4,167)	(34,496)			(38,663)
Federal		285,871				285,871
Budgeted Revenues & Transfers-In Over (under) Estimated	\$ 27,688	\$ 495,683	\$ (31,065)	\$ 183,747	\$ 740,701	\$ 1,416,754

This schedule is prepared from the Statewide Budgeting and Accounting System
Additional information is provided in the notes to the financial schedules beginning on page A-17

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	Special Revenue Fund	Internal Service Fund	Nonexpendable Trust Fund	Total
Licenses and Permits		\$ 28,767,761		\$ 308,436	\$ 29,076,197
Charges for Services	\$ 43,279	1,078,817	\$ 2,020,556		3,142,652
Investment Earnings		3,290,244		1,488,170	4,778,414
Fines and Forfeits		9,263			9,263
Federal Indirect Cost Recoveries		1,594,213			1,594,213
Sale of Documents, Merchandise and Property		449,078	139,088	38,630	626,796
Rentals, Leases and Royalties				171,586	171,586
Miscellaneous		182,319			182,319
Grants, Contracts, Donations and Abandonments		583,752			583,752
Other Financing Sources		2,462,583	184,160		2,646,743
Federal		10,840,544			10,840,544
Total Revenues & Transfers-In	43,279	49,258,574	2,343,804	2,006,822	53,652,479
Less: Nonbudgeted Revenues & Transfers-In		1,405,066			1,548,823
Prior Year Revenues & Transfers-In Adjustments		189,947	139,088	4,669	187,441
Actual Budgeted Revenues & Transfers-In	43,279	47,663,561	2,204,716	(2,506)	51,916,215
Estimated Revenues & Transfers-In	40,840	47,548,728	2,029,690	2,004,690	51,623,948
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 2,439	\$ 114,833	\$ 175,026	\$ (31)	\$ 292,267
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits		\$ 25,674		\$ (58)	\$ 25,616
Charges for Services	\$ 2,439	(6,351)	\$ 175,026		171,114
Investment Earnings		(1,533)		(39)	(1,572)
Fines and Forfeits		13			13
Federal Indirect Cost Recoveries		45,932			45,932
Sale of Documents, Merchandise and Property		(3,972)		(20)	(3,992)
Rentals, Leases and Royalties				86	86
Miscellaneous		50			50
Grants, Contracts, Donations and Abandonments		(22,288)			(22,288)
Other Financing Sources		(3,158)			(3,158)
Federal		80,466			80,466
Budgeted Revenues & Transfers-In Over (under) Estimated	\$ 2,439	\$ 114,833	\$ 175,026	\$ (31)	\$ 292,267

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-17

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT	Administration & Finance Division	Field Services Division	Fisheries Division	Law Enforcement Division	Wildlife Division	Parks Division	Capital Outlay	Conservation Education Division	Department Management	Total
Personal Services										
Salaries	\$ 1,304,903	\$ 916,467	\$ 2,896,860	\$ 3,187,171	\$ 2,789,872	\$ 1,358,543		\$ 674,448	\$ 1,460,131	\$ 14,588,395
Hourly Wages	37,118	178,961	1,095,318	56,050	512,741	937,492		15,964	131,706	2,965,350
Other Compensation	103					600		100	12,900	13,703
Employee Benefits	349,784	288,939	1,045,984	899,486	822,286	544,056		172,998	403,377	4,526,910
Personal Services-Other	(3,379)					941				(2,438)
Total	<u>1,688,529</u>	<u>1,384,367</u>	<u>5,038,162</u>	<u>4,142,707</u>	<u>4,124,899</u>	<u>2,841,632</u>		<u>863,510</u>	<u>2,008,114</u>	<u>22,091,920</u>
Operating Expenses										
Other Services	1,487,446	2,741,383	1,025,896	229,439	1,465,928	295,520	\$ 263,278	535,550	308,990	8,353,430
Supplies & Materials	789,697	291,062	714,038	467,350	743,679	462,952	32,195	268,541	155,080	3,924,594
Communications	221,924	57,241	190,808	177,210	164,040	96,213	989	114,118	119,002	1,141,545
Travel	19,660	274,280	531,122	632,582	505,668	246,966	38,253	109,305	121,848	2,479,684
Rent	106,880	105,381	123,159	43,604	429,879	40,028	19,433	9,096	69,321	946,781
Utilities	6,679	6,896	114,792	3,002	16,351	94,984	5,743	3,665	106,734	358,846
Repair & Maintenance	358,057	233,276	430,766	45,925	70,238	488,592	69,772	17,435	181,334	1,895,395
Other Expenses	516,788	307,795	75,911	97,410	35,448	128,780	808	49,107	52,307	1,264,354
Goods Purchased For Resale	80,786			12		148				80,946
Total	<u>3,587,917</u>	<u>4,017,314</u>	<u>3,206,492</u>	<u>1,696,534</u>	<u>3,431,231</u>	<u>1,854,183</u>	<u>430,471</u>	<u>1,106,817</u>	<u>1,114,616</u>	<u>20,445,575</u>
Equipment & Intangible Assets										
Equipment	(356,464)	5,719	183,384	180,416	30,836	225,572		8,793	52,826	331,082
Livestock				(8)	(1,568)					(1,576)
Capital Leases - Equipment						121,000				121,000
Intangible Assets			5,735							5,735
Total	<u>(356,464)</u>	<u>5,719</u>	<u>189,119</u>	<u>180,408</u>	<u>29,268</u>	<u>346,572</u>		<u>8,793</u>	<u>52,826</u>	<u>456,241</u>
Capital Outlay										
Land & Interest In Land			156				6,509,682			6,509,838
Buildings			78,000				58,029			136,029
Other Improvements							4,670,178			4,670,178
Installment Purchases -Capital							(111,140)			(111,140)
Total			<u>78,156</u>				<u>11,126,749</u>			<u>11,204,905</u>
Grants										
From State Sources			47,136	42,559	25,135	560,576		97,519	178,500	951,425
Total			<u>47,136</u>	<u>42,559</u>	<u>25,135</u>	<u>560,576</u>		<u>97,519</u>	<u>178,500</u>	<u>951,425</u>
Benefits & Claims										
From State Sources		4,133								4,133
Total		<u>4,133</u>								<u>4,133</u>
Transfers										
Accounting Entity Transfers	2,318,923						47,555			2,366,478
Total	<u>2,318,923</u>						<u>47,555</u>			<u>2,366,478</u>
Debt Service										
Leases						6,828				6,828
Total						<u>6,828</u>				<u>6,828</u>
Total Program Expenditures & Transfers-Out	\$ <u>7,238,905</u>	\$ <u>5,411,533</u>	\$ <u>8,559,065</u>	\$ <u>6,062,208</u>	\$ <u>7,610,533</u>	\$ <u>5,609,791</u>	\$ <u>11,604,775</u>	\$ <u>2,076,639</u>	\$ <u>3,354,056</u>	\$ <u>57,527,505</u>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND										
General Fund				109,900		285,925		2,698		398,523
Special Revenue Fund	\$ 4,640,172	\$ 5,236,475	\$ 8,384,680	5,952,308	\$ 7,352,348	5,081,168	\$ 11,427,077	\$ 2,073,941	\$ 3,354,056	\$ 53,502,225
Capital Projects Fund							5,040			5,040
Internal Service Fund	1,065,322	175,058				242,698				1,483,078
Expendable Trust Fund	49,770		174,385		258,185		172,658			654,998
Nonexpendable Trust Fund	1,483,641									1,483,641
Total Program Expenditures & Transfers-Out	<u>7,238,905</u>	<u>5,411,533</u>	<u>8,559,065</u>	<u>6,062,208</u>	<u>7,610,533</u>	<u>5,609,791</u>	<u>11,604,775</u>	<u>2,076,639</u>	<u>3,354,056</u>	<u>57,527,505</u>
Less: Nonbudgeted Expenditures & Transfers-Out	1,856,611	470	471,734	33,540	280,301	94,729	220,348	2,635	793	2,961,161
Prior Year Expenditures & Transfers-Out Adjustments	(100,461)	6,696	22,404	93,684	(80,495)	75,329	40	8,323	18,388	43,908
Actual Budgeted Expenditures & Transfers-Out	<u>5,482,755</u>	<u>5,404,367</u>	<u>8,064,927</u>	<u>5,934,984</u>	<u>7,410,727</u>	<u>5,439,733</u>	<u>11,384,387</u>	<u>2,065,681</u>	<u>3,334,875</u>	<u>54,522,436</u>
Budget Authority	8,503,787	5,831,822	8,622,064	6,290,235	7,835,857	5,782,795	30,177,897	2,177,331	3,474,858	78,696,646
Unspent Budget Authority	\$ <u>3,021,032</u>	\$ <u>427,455</u>	\$ <u>557,137</u>	\$ <u>355,251</u>	\$ <u>425,130</u>	\$ <u>343,062</u>	\$ <u>18,793,510</u>	\$ <u>111,650</u>	\$ <u>139,983</u>	\$ <u>24,174,210</u>
UNSPENT BUDGET AUTHORITY BY FUND										
General Fund				18,362		1				18,363
Special Revenue Fund	\$ 3,015,840	\$ 427,402	\$ 557,137	336,889	\$ 425,130	321,441	\$ 17,758,550	\$ 111,650	\$ 139,983	\$ 23,094,022
Capital Projects Fund							1,034,960			1,034,960
Internal Service Fund	5,192	53				21,620				26,865
Expendable Trust Fund										0
Nonexpendable Trust Fund										0
Unspent Budget Authority	\$ <u>3,021,032</u>	\$ <u>427,455</u>	\$ <u>557,137</u>	\$ <u>355,251</u>	\$ <u>425,130</u>	\$ <u>343,062</u>	\$ <u>18,793,510</u>	\$ <u>111,650</u>	\$ <u>139,983</u>	\$ <u>24,174,210</u>

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules beginning on page A-17.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	Administration & Finance Division	Field Services Division	Fisheries Division	Law Enforcement Division	Wildlife Division	Parks Division	Capital Outlay	Conservation Education Division	Department Management	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT										
Personal Services										
Salaries	\$ 1,307,972	\$ 828,952	\$ 2,843,410	\$ 3,086,601	\$ 2,621,962	\$ 1,427,160		\$ 662,036	\$ 1,367,252	\$ 14,145,345
Hourly Wages	38,511	207,582	988,105	76,321	541,118	780,982		11,286	134,124	2,778,029
Other Compensation	60					900	\$ 200		12,150	13,310
Employee Benefits	376,111	266,988	987,183	844,464	776,499	581,866		168,229	409,802	4,411,142
Personal Services-Other	1,859					2,204				4,063
Total	1,724,513	1,303,522	4,818,698	4,007,386	3,939,579	2,793,112	200	841,551	1,923,328	21,351,889
Operating Expenses										
Other Services	1,175,041	2,033,513	783,939	308,082	1,463,460	454,107	253,142	562,719	383,043	7,417,046
Supplies & Materials	624,271	393,501	587,837	418,814	576,845	314,488	31,698	278,813	112,289	3,338,556
Communications	173,857	61,544	132,454	156,741	166,064	88,144	3,659	124,469	111,769	1,018,701
Travel	28,370	304,925	463,861	635,791	505,795	254,239	22,150	63,663	125,915	2,404,709
Rent	104,409	110,255	90,394	39,908	447,444	40,763	13,605	2,831	72,748	922,357
Utilities	6,811	8,594	157,789	2,478	20,094	84,947	7,537	3,904	108,115	400,269
Repair & Maintenance	330,260	256,858	228,302	53,327	105,062	577,564	55,482	26,799	135,007	1,768,661
Other Expenses	725,626	293,602	81,305	80,391	37,429	112,742	1,655	35,944	44,202	1,412,896
Goods Purchased For Resale	99,738	23				12,011		77		111,847
Total	3,268,383	3,462,815	2,525,881	1,695,532	3,322,193	1,939,005	388,928	1,099,217	1,093,088	18,795,042
Equipment & Intangible Assets										
Equipment	142,690	82,474	162,315	192,026	79,141	166,628		5,749	27,987	859,010
Livestock				15,600						15,600
Intangible Assets	4,995		11,200							16,195
Total	147,685	82,474	173,515	207,626	79,141	166,628		5,749	27,987	890,805
Capital Outlay										
Land & Interest In Land							6,395,435			6,395,435
Buildings							218,850			218,850
Other Improvements					(501)		2,134,025			2,133,524
Total					(501)		8,748,310			8,747,809
Grants										
From State Sources			84,733	13,864	8,689	212,246		15,332	161,216	496,080
From Federal Sources						21,727				21,727
Total			84,733	13,864	8,689	233,973		15,332	161,216	517,807
Benefits & Claims										
From State Sources		2,867								2,867
Total		2,867								2,867
Transfers										
Accounting Entity Transfers	2,617,497									2,617,497
Total	2,617,497									2,617,497
Total Program Expenditures & Transfers-Out	\$ 7,758,078	\$ 4,851,678	\$ 7,602,827	\$ 5,924,408	\$ 7,349,101	\$ 5,132,718	\$ 9,137,438	\$ 1,961,849	\$ 3,205,619	\$ 52,923,716
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND										
General Fund				111,235		292,711		2,865		406,811
Special Revenue Fund	\$ 4,523,898	\$ 4,604,898	\$ 7,602,827	5,813,173	\$ 7,349,101	4,549,174	\$ 9,123,070	1,958,984	\$ 3,205,619	48,730,744
Capital Projects Fund							14,368			14,368
Internal Service Fund	1,750,679	246,780				290,833				2,288,292
Nonexpendable Trust Fund	1,483,501									1,483,501
Total Program Expenditures & Transfers-Out	7,758,078	4,851,678	7,602,827	5,924,408	7,349,101	5,132,718	9,137,438	1,961,849	3,205,619	52,923,716
Less: Nonbudgeted Expenditures & Transfers-Out	2,473,367		358,487	6,527	64,903	21,262		71	1,485	2,926,102
Prior Year Expenditures & Transfers-Out Adjustments	(15,059)	164,781	(13,071)	5,664	24,164	105,822		4,330	31,571	308,202
Actual Budgeted Expenditures & Transfers-Out	5,299,770	4,686,897	7,257,411	5,912,217	7,260,034	5,005,634	9,137,438	1,957,448	3,172,563	49,689,412
Budget Authority	5,624,112	5,015,487	8,250,035	6,272,575	7,701,017	5,625,021	24,742,091	2,111,452	3,437,900	68,779,690
Unspent Budget Authority	\$ 324,342	\$ 328,590	\$ 992,624	\$ 360,358	\$ 440,983	\$ 619,387	\$ 15,604,653	\$ 154,004	\$ 265,337	\$ 19,090,278
UNSPENT BUDGET AUTHORITY BY FUND										
General Fund				5		724		14		743
Special Revenue Fund	\$ 320,604	\$ 324,923	\$ 992,624	360,353	\$ 440,983	614,716	\$ 15,604,653	153,990	\$ 265,337	19,078,183
Capital Projects Fund										0
Internal Service Fund	3,738	3,667				3,947				11,352
Nonexpendable Trust Fund										0
Unspent Budget Authority	\$ 324,342	\$ 328,590	\$ 992,624	\$ 360,358	\$ 440,983	\$ 619,387	\$ 15,604,653	\$ 154,004	\$ 265,337	\$ 19,090,278

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules beginning on page A-17.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1998

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental, Expendable Trust, and Agency Funds. In applying the modified accrual basis, the department records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual leave and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary and Nonexpendable Trust Funds. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period earned when measurable and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System without adjustment.

Accounts are organized in funds according to state law. The department uses the following funds:

Notes to the Financial Schedules

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund. General Fund includes support for state parks activity and offsets for the loss of fish and game fines and restitution in the Law Enforcement and Conservation Education Divisions.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include federal and private grants, donations, and state earmarked revenue from license and permit fees.

Capital Projects Fund - to account for resources used for purchase or construction of major capital facilities. The majority of the department's construction projects are recorded on the Department of Administration's Architecture & Engineering Division's records.

Proprietary Funds

Internal Service Fund - to account for providing goods or services to other funds or agencies on a cost-reimbursement basis. Department Internal Service Funds include duplicating services, department-owned vehicles, warehouse inventory items and grounds maintenance for the capitol complex area.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The department's Expendable Trust Funds, new in fiscal year 1997-98 (see note 4), include the Fisheries and Wildlife Mitigation Trust Funds money received from federal and private grants and donations. Nonexpendable Trust Funds include revenue from the sale or lease of department lands and the department's share of the state coal severance tax. Revenue earned from the investment of the trust fund money is transferred to the State Special Revenue Fund for expenditures. The department's Agency Fund is used as a license drawing clearing account.

Notes to the Financial Schedules

2. **General Fund Balance**
- The negative fund balance in the General Fund does not indicate overspent appropriation authority. The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. Each agency receives cash or other assets from the statewide fund when it pays General Fund obligations. The department's outstanding liabilities exceed the assets the department has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 1997 and June 30, 1998.
3. **Special Revenue Fund Balance**
- The large decrease in ending fund balance between fiscal years 1996-97 and 1997-98 is due to the movement of the Fisheries and Wildlife Mitigation Trust Fund of approximately \$15 million to an Expendable Trust Fund as discussed in note 4.
- The majority of the fiscal year 1996-97 Special Revenue Fund ending fund balance is comprised of indirect cost recoveries of approximately \$1 million, general license revenue of \$26 million, the Fisheries and Wildlife Mitigation Trust Funds of \$15 million and state earmarked revenue from licenses and permits of \$17 million.
- The majority of the fiscal year 1997-98 Special Revenue Fund ending fund balance is comprised of indirect cost recoveries of approximately \$1 million, general license revenue of \$28 million, and state earmarked revenue from licenses and permits of \$13 million.
4. **Expendable Trust Fund**
- The Expendable Trust Fund accounts for the Fisheries and Wildlife Mitigation Trust Funds money received from federal and private sources under written agreements or contracts. These funds are earmarked for specific purposes by law or agreement. In fiscal year 1997-98, the department moved the Fisheries and Wildlife Mitigation Trust Funds from the Special Revenue Fund to the Expendable Trust Fund in accordance with state accounting policy. This accounts for the majority of the Cash Transfers In (Out) amounts in these funds.

Department Response



Montana Fish, Wildlife & Parks

P. O. Box 200701
Helena, MT 59620-0701
(406) 444-3186
FAX:406-444-4952
Ref:DO0343-99
April 14, 1999

Scott Seacat, Legislative Auditor
Legislative Audit Division
State Capital
Helena, MT 59620

Dear Mr. Seacat:

We have reviewed the financial-compliance audit report issued on the Department of Fish, Wildlife and Parks for the two fiscal years ending June 30, 1998. The Department's response to the recommendations follows:

Recommendation #1

We recommend the department enhance and follow procedures to ensure adequate Internal controls over processing of transactions on the state's accounting system.

Concur

The department agrees internal controls are important. The situation identified by the auditors occurred as a result of a vacancy when the duties were temporarily transferred to another position. Because of the small staff involved, ideal segregation of duties was not maintained. The department will change procedures for future vacancies to avoid potential problems noted by the audit. The department will also more timely eliminate "read-only" access of terminated employees to the accounting records.

Recommendation #2

We recommend the department:

- a) Ensure vehicle account rates are supported by the state's accounting records.
- b) Ensure fees are commensurate with costs in accordance with state law in its capitol grounds maintenance account.

a) Concur

The department's vehicle rates remain among the lowest in state government. As mentioned by the auditors, the accounting errors noted did not materially change the rates charged by the department.

We will change our procedures to ensure that all changes in fund balances are identified and included in our rate calculations.

b) Partially concur.

The department believes the rates for the capital grounds maintenance are set commensurate with costs. In the states accounting system, the department did properly capitalize the equipment and record depreciation. When the rates were developed (two years prior) it was assumed the main contract would be awarded to a private entity. It was determined the department could provide the services at a savings to the state. In order to purchase necessary equipment, the department, as suggested by the audit, could have reduced rates, borrowed money from the general fund, paid interest, and increased rates the following legislative session. But that approach did not make sense to the agency. Instead, the rates were set on the cash basis and the department used the money generated from the rates approved by the 1997 Legislature for the new equipment, and, as a result, did not need to ask for a rate increase from the 1999 Legislature.

Recommendation #3

We recommend the department develop and implement procedures to:

- a) Inform subrecipients of audit requirements for entities receiving federal awards.
- b) Provide subrecipients with information necessary to identify subgrants that include federal funds.
- c) Follow up on subrecipients' audit recommendations related to funds subgranted and ensure the subrecipient takes adequate and timely corrective action.

Concur

We will develop procedures to ensure compliance with federal circular A-133.

Recommendation #4

We recommend the department draw federal funds in accordance with the agreement between the state of Montana and the U.S. Secretary of the Treasury.

Concur

We will follow the written contract with the U.S. Secretary of the Treasury by either drawing down daily or issuing warrants less frequently.

Recommendation #5

We recommend the department:

- a) Develop procedures for employees to charge leave to projects where the leave is earned.
- b) Ensure employees charge actual time worked on each project on their time sheet.

Concur

- a) Federal Office of Management and Budget (OMB) Circular A-87, referred to in this audit, applies to all state agencies. The state's central accounting system does not readily conform to these federal rules.

Rather than develop a costly system just for DFWP, efforts will be made to work with the Department of Administration to provide a statewide solution through the state's new accounting system (referred to as MT PRRIME). If a statewide solution is not possible, we will seek other options such as developing an internal sub-system.

- b) It has always been management's intention that employee's charge actual time worked on their time sheets. We will continue to stress this fact to all employees.

Recommendation #6

We recommend the department establish written agreements for construction projects with the Department of Administration's Architecture & Engineering Division, to ensure compliance with federal regulations.

Concur

The department currently enters into agreements with the Department of Administration for construction projects they manage on our behalf. We will specifically state in the agreement

responsibility to comply with federal regulations.

Recommendation #7

We recommend the department:

- a) Obtain assignment agreements for all certificates of deposit from license agents in accordance with department policy.
- b) Ensure all certificates of deposit are recorded on the state's accounting records in accordance with state law.

Concur

The department will record all certificates of deposit on SBAS. We will also ensure that all certificate of deposits have appropriate assignment agreements

Recommendation #8

We recommend the department record the nonrefundable \$3 special license drawing fee as revenue in the fiscal year it is received.

Concur

We will record the special license drawing fee as revenue in the fiscal year when it is received.

Recommendation #9

We recommend the department record expenditures in the fiscal year there is a valid obligation.

Concur

The department had a legislatively authorized biennial appropriation in the Upland Game Bird account with a balance of \$218,973 at FYE98, but due to internal miscommunications it was not used. We will review future expenditures in the Upland Game Bird account to ensure they are recorded in the correct fiscal year. We will also work to resolve the eligibility of charges with the appropriate federal agency.

Recommendation #10

We recommend the department record federal revenue and related expenditures in the

Federal Special Revenue Fund in accordance with state law.

Concur

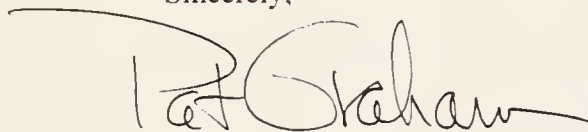
Based upon changes made by the 1995 Legislature, the department used non-budgeted accounts for private funds in FY96. At that time it was unclear whether funds received from private foundations such as the National Fish & Wildlife Foundation or commissions such as the Pacific State Marine Commission included federal funds. It should be noted, however, the department had sufficient federal appropriation authority to classify them correctly had we realized federal funds were involved.

We will review our internal procedures and make any necessary adjustments to ensure these revenues are properly recorded in the future.

The recommendations that we concur with will be implemented before the next audit except for the leave accounting issue that may take longer to resolve because of its significant statewide implications.

We thank you for the opportunity to respond to this recommendation, and the professional manner in which the audit was conducted.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Graham", with a long horizontal flourish extending to the left.

Patrick J. Graham
Director

